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**EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY COUNCIL
WASHINGTON**

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June 20, 1951

MEMORANDUM FOR THE SPECIAL COMMITTEE ON EAST-WEST TRADE

SUBJECT: NSC Determinations Under Section 1302, Public Law
45 (Third Supplemental Appropriation Act, 1951)

The enclosed preliminary draft report on "Soviet Procurement of Strategic Commodities from the United Kingdom", prepared by the Central Intelligence Agency, is transmitted herewith for the information of the Special Committee on East-West Trade and referred to the drafting group for use in the preparation of a draft determination by the National Security Council with respect to the United Kingdom in accordance with Section 1302.

Attention is invited to the security classification of the enclosure, which requires that the information contained therein be limited to officials of the U. S. Government.

HUGH D. FARLEY
Assistant Executive Secretary

NSC Review Completed

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C O P Y

D R A F T

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CENTRAL INTELLIGENCE AGENCY

12 June 1951

MEMO TO: DCI

SUBJECT: An Analysis of the Strategic Commodities Procured by the Soviet Union Through Late 1950 & Early 1951 from the UK and Malaya

25X6 a substantial flow of strategic commodities from the UK and Malaya to the Soviet Union has continued throughout late 1950 and early 1951. There appears to have been no significant decline in shipments since the Chinese Communist aggression in Korea and there is some evidence suggesting that the volume of shipments actually increased during the last part of 1950 as compared with the first part of that year. An analysis of the types of commodities moving from UK to the USSR indicates that these shipments represent a substantial contribution to the war-potential of the Soviet Union.

More significant than the dollar value of Soviet purchases is the highly strategic nature of the goods procured in the UK and Malaya. A number of exports from the UK to the Soviet Union included on both the US and the International lists I and II, and virtually all items purchased are essential to a war economy.¹

1. The US embargoes many strategic commodities not on International list I, which provides for complete embargo, and International list II, which provides for quantitative control. Countries which subscribe to the International lists include: the US, the UK, France, Italy, Denmark, Belgium, the Netherlands, West Germany, Norway, Portugal, and Canada.

NOTE: This report has not been coordinated with the intelligence organizations of the Departments of State, the Army, the Navy, and the Air Force. It contains information available to CIA as of 12 June 1951.

The composition and, to some extent, the volume of Soviet procurement of strategic commodities from the UK and Malaya during the four month period of October 1950 to January 1951 are reflected in the table following this paragraph.

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<u>UK EXPORT TO THE USSR</u>	<u>AMOUNT IN US DOLLARS²</u>
Rubber from UK	\$ 4,430,000
Rubber From Malaya	12,570,000
Electric Power Generating and Dis-tributing Equipment	4,000,000
Metalworking Machinery	1,050,000
Construction and Conveying Equipment	550,000
Precision Instruments and Scientific Equipment	56,000 3
	<u>\$22,656,000</u>

Most of the commodities listed above, with the exception of rubber (and tin for which no figures are available), were probably purchased by VNESHORG, Soviet trade representative, in London, presumably from English manufacturers, and shipped direct from English ports to Leningrad or Windau (Ventspils), Latvia. Soviet rubber purchases involved firms in the UK as well as in Singapore; actual shipments were made from the UK as re-exports as well as directly from Malayan ports to the Soviet Union.

One of the most significant aspects of UK exports to the USSR is the apparent reliance of the USSR upon the British for specialized equipment, such as electrical machinery, machine tools, and scientific instruments. All of these require highly skilled labor and advanced technical knowledge to manufacture. The ability of the Soviets to procure these kinds of specialized equipment from the UK releases Soviet industrial capacity for manufacturing other strategic products. In addition, the Soviets are supplied with valuable prototypes for future production. The facility with which the Soviets are acquiring this extremely valuable equipment is clearly indicated by the fact that an average of 5 Soviet cargo vessels leave the UK each month with various kinds of strategic commodities and equipment.

2. Not exact figures, usually to the nearest thousand.

3. In addition to this figure, British statistics show approximately \$2,250,000 worth of unidentified commodities were shipped during this period to the USSR.

The largest single import by the USSR, in terms of dollar value, was rubber. Nearly 18 thousand tons of this highly critical war material was shipped during the four-month period to the Soviet Union from Malaya.

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Another important import, according to dollar value, was power generating equipment. During this four-month period, the export of such items as turbo generators, diesel generators and power transformers totalled approximately 1½ million dollars. This type of equipment is of primary importance in enabling the Soviet Orbit to fulfill its plan for greater mechanization and electrification.

During this period, electronic and scientific equipment was also exported to the Soviet Union by the UK. During September, 1950, multimeters, analytical balances and radio receiving tubes were shipped. The several million dollars worth of unidentified goods may have included more critical electronic and scientific equipment such as that employed in atomic research, in metallurgy and in testing radar and other critical electronic equipment. Some of this equipment may have been shipped in fulfillment of the UK-USSR agreement of 1947 which provided for the shipment of \$600,000 worth of scientific and laboratory equipment by the UK and which the UK appears to be honoring.

Essential industrial equipment shipped to the USSR by the UK in significant quantities includes: large presses, electric motors, and construction equipment, including excavators and air compressors. Other strategic goods include tin, medicines and medical instruments, tungsten, and industrial diamonds.

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